



June 30, 2004

Honorable Don Nickles  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

As requested by your staff, CBO has prepared an estimate of the costs of implementing S. 2238, the Flood Insurance Reform Act of 2004, as cleared by the Congress on June 21, 2004.

S. 2238 would make certain federally owned coastal and river properties that are leased to nonfederal entities subject to actuarially sound insurance premiums. CBO estimates that enacting this provision would increase offsetting receipts (a credit against direct spending) to the federal government by \$1 million a year.

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By Fiscal Year, in Millions of Dollars

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2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

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**CHANGES IN DIRECT SPENDING**

Estimated Budget Authority	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1

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CBO's cost estimate for the Senate-reported version of S. 2238, transmitted on April 22, 2004, describes the basis for this estimate, including the following explanation of the estimated effect on direct spending:

**Reauthorization of the National Flood Insurance Program.**

S. 2238 would reauthorize the NFIP through 2008. Consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act, which specifies that certain expiring programs should be assumed to continue for budget projection purposes, the baseline projections underlying the current Congressional budget resolution assume that the National Flood Insurance program continues beyond its scheduled expiration date. Over the near term, CBO projects that premiums collected by the National Flood Insurance Fund equal claims paid from the fund. (In fact, claims vary substantially from year to year.) In most recent years, premium income has exceeded claims payments, but over the long term, the NFIP is not considered to be actuarially sound because some properties receive subsidized insurance.

**Actuarial Rate Properties.** S. 2238 would make certain federally owned coastal and river properties that are leased to nonfederal entities subject to actuarially sound insurance premiums. CBO estimates that this provision would increase the amount of premiums collected, but the increase would be less than \$1 million a year because of the small number of properties involved.

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If you wish further details on this estimate, we will be pleased to provide them.  
The CBO staff contact is Julie Middleton.

Sincerely,

Douglas Holtz-Eakin  
Director

Enclosure

cc: Honorable Kent Conrad  
Ranking Member

Honorable Richard C. Shelby  
Chairman  
Committee on Banking, Housing,  
and Urban Affairs

Honorable Paul S. Sarbanes  
Ranking Member

Identical letter sent to Honorable Jim Nussle.